

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01

FEAE-00 INT-05 L-03 H-02 SAM-01 /113 W

----- 013222

R 291623Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4259

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 13432

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING AUG. 29

BEGIN SUMMARY: THE WEEK SAW A MAJOR BOOST FOR THE GOV-
ERNMENT'S ANTI-INFLATION PROGRAM WHEN THE POWERFUL

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MINERS' UNION VOTED BY 3 TO 2 TO SUPPORT THE 6 POUND

WAGE LIMITATION. THE PARLOUS STATE OF THE ECONOMY WAS CONFIRMED IN THE LATEST REVIEW OF THE ECONOMY PUBLISHED BY THE NATIONAL INSTITUTE FOR ECONOMIC AND SOCIAL RESEARCH.(SEPTEL) THE FEW INDICATORS RELEASED THIS WEEK DID LITTLE TO CHALLENGE THIS VIEW.

1. CAPITAL SPENDING IN MANUFACTURING FALLS 7 PERCENT IN SECOND QUARTER: PROVISIONAL FIGURES RELEASED BY THE DEPARTMENT OF INDUSTRY SHOW THAT EXPENDITURE ON FIXED CAPITAL DROPPED FROM 1030 MILLION TO 978 MILLION POUNDS (IN 1970 PRICES) DURING THE SECOND QUARTER. IN THE MANUFACTURING SECTOR, CAPITAL SPENDING FELL BY 7 PERCENT FROM 497 MILLION TO 462 MILLION POUNDS AT 959 MILLION POUNDS, TOTAL CAPITAL SPENDING IN MANUFACTURING DURING THE FIRST HALF OF 1975 WAS 9 PERCENT BELOW THAT FOR THE SECOND HALF OF 1974. THERE WERE ALSO DECLINES IN CAPITAL SPENDING IN THE SERVICE AND SHIPPING SECTORS. SERVICE SECTOR SPENDING DROPPED FROM 434 TO 428 MILLION POUNDS BETWEEN THE FIRST AND SECOND QUARTERS WHILE CAPITAL EXPENDITURES IN THE SHIPPING SECTOR DROPPED FROM 99 TO 88 MILLION POUNDS.

2. HOME BUILDING IN JULY UP 61 PERCENT FROM 1974 LEVEL: HOUSING STARTS, BOTH PUBLIC AND PRIVATE, TOTALLED 29,000 UNITS IN JULY. THIS REPRESENTS AN INCREASE OF 11,000 OVER THE JULY 1974 LEVEL OR 61 PERCENT. THE HOUSING RECOVERY, WHILE STILL BELOW LEVELS REACHED IN 1973, IS ONE OF THE FEW HOPEFUL ECONOMIC SIGNS TO HAVE APPEARED RECENTLY AND REFLECTS THE RELATIVELY LIQUID POSITION OF BUILDING SOCIETIES AND INCREASED DEMAND FOR LOWER COST HOUSING.

3. ENERGY CONSUMPTION FALLS: OVERALL U.K. CONSUMPTION OF ENERGY FELL BY OVER 6 PERCENT IN JUNE ACCORDING TO THE LATEST DEPARTMENT OF ENERGY FIGURES. TOTAL DELIVERIES OF PETROLEUM PRODUCTS DURING JUNE (5.7 MIL. TONS) WERE ABOUT 9 PERCENT LOWER THAN THE LEVEL A YEAR AGO. THE USE OF ELECTRICITY AND GAS ALSO DECREASED IN JUNE WITH CONSUMPTION DOWN 2.8 PERCENT AND 0.5 PERCENT, RESPECTIVELY, OVER JUNE LAST YEAR. IN ADDITION THE PRE-UNCLASSIFIED

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LIMINARY DATA FOR JULY INDICATE A 3.5 PERCENT DECLINE IN COAL OUTPUT WHILE CONSUMPTION FELL BY MORE THAN 10 PERCENT COMPARED TO JULY 1974.

4. SEE ALSO:

LONDON A-725, 7/29 - "THE CHANGING STRUCTURE OF THE UK ECONOMY A CURSORY VIEW"

LONDON A-730, 8/20 - INCOME AND WEALTH DISTRIBUTION

IN UK .THE ROYAL COMMISSION REPORTS"
LONDON A-743, 8/27 - "REORGANIZATION OF H.M. TREAS-
URY"
LONDON A-745' 8/28 - LATEST LONDON BUSINESS
SCHOOL FORECAST FOR BRITISH ECONOMY"

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INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-01

INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01

FEAE-00 INT-05 L-03 H-02 SAM-01 /113 W
----- 013268

R 291623Z AUG 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4260
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
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AMEMBASSY ROME
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5. EXCHANGE RATE AND GOLD:

(DATES)	8/21	8/28	CHANGE
EXCHANGE RATE	\$2.1120	\$2.1100	DOWN \$0.0020
EFFECTIVE DEPRECIATION			
(PERCENT)	27.8	27.6	NARROWED 0.2
GOLD	\$162.12	\$161.87	DOWN \$0.25

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6. FORWARD DISCOUNT ON STERLING:

(DATES)	8/21	8/28	CHANGE
1 MONTH	0.60	0.60	UNCHANGED
3 MONTHS	1.75	1.62	DOWN 0.13
6 MONTHS	3.45	3.00	DOWN 0.45

(ALL FIGURES IN CENTS)

7. EURODOLLAR INTEREST RATES:

(DATES)	8/21	8/28	CHANGE
1 MONTH	6-3/4	6-5/8	DOWN 1/8
3 MONTHS	7-3/8	7-3/8	UNCHANGED
6 MONTHS	8-1/4	8-3/8	UP 1/8

8. LOCAL AUTHORITY DEPOSIT RATES:

(DATES)	8/21	8/28	CHANGE
1 MONTH	10-3/16	10 3/16	UNCHANGED
3 MONTHS	L0-9/16	10-9/16	UNCHANGED
6 MONTHS	10-13/16	10-3/4	DOWN 1/16

9. THE MINIMUM LENDING RATE REMAINS AT 11 PERCENT AS OF FRIDAY, AUGUST 29, 1975.

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06 JUL 2006

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TAGS: ECON, UK
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